

Central Intelligence Agency



Washington, D. C. 20505

DIRECTORATE OF INTELLIGENCE

29 March 1983

Soeharto's Government Reshuffling: Image and Reality

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Summary

President Soeharto's swift move to appoint a new cabinet on 16 March following his reelection to a fourth five year term suggests an image of dynamism, but we believe the sweeping personnel changes primarily are intended to strengthen administrative performance and eliminate potential rivals.

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Soeharto's handpicked cabinet and recent changes in the military hierarchy suggest to us no intent to groom a successor, and no major departure from the military-technocratic structure he has used to govern Indonesia since coming to power nearly two decades ago. He has taken this opportunity to shunt aside his strongest potential challenger, Defense Minister Jusuf, and to appoint only proven loyalists to key positions. In our judgment, the changes in the top levels of government do not presage drastic political or economic policy shifts.

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Continuity over Change

The new appointments reaffirm Soeharto's absolute dominance of Indonesian political life, according to most observers. Besides loyalty, the key characteristic of major appointees is their lack of independent power bases. Soeharto's earlier choice of the obscure retired General Umar Wirahadikusumah to replace the well-known Adam Malik as vice president reflects his lack of concern over the impression of the increasing Javanization and militarization of his government. Although some of the changes suggest responsiveness to public opinion, Soeharto continues to deny the opposition parties any effective political voice and has made no significant concessions to the Muslims.

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This memorandum was prepared by [redacted] Southeast Asia Division, Office of East Asian Analysis. Coordinated with the National Intelligence Council. Comments and queries are welcome and may be directed to Chief, Southeast Asia Division, OEAA [redacted]

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Although larger than the last cabinet, the new one is more heavily packed with Javanese from Soeharto's home region, and continues the strong military grip on key portfolios. Soeharto made some cosmetic changes to placate critics by removing or reassigning several controversial ministers and poor performers while promoting others with marginally better reputations for effectiveness. Former Education Minister Daoed Joesoef was widely disliked, especially by students and Islamic leaders, for [redacted] Similarly, [redacted] former Religion Minister General Alamsjah -- [redacted] [redacted] was moved into a less sensitive cabinet post. His replacement, Munawir Syadzali, while not a religious leader, does have more acceptable Islamic credentials. [redacted]

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Some of Soeharto's long-standing key advisers have left the cabinet, namely Information Minister Moertopo and chief economics adviser Widjojo. Although their future roles are unclear, they may continue as unofficial advisers to the President. Others who have left the cabinet, such as ineffective Coordinating Minister for Politics and Security Panggabean, and former Interior Minister Amir Machmud, who left in October 1982, are old Soeharto comrades who moved to less demanding jobs. [redacted]

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Although reports of political infighting within Soeharto's entourage were widespread in Jakarta before the cabinet announcement, in our judgment the struggles reflected personal rivalries as much as policy differences. The current financial squeeze will, in our judgment, force further economic retrenchment which could have a major impact on the domestic political situation, but Soeharto's cabinet choices give little hint as to how he will deal with the problems. [redacted]

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The Military

Within the military, Soeharto shunted aside his strongest potential challenger by downgrading former Defense Minister and Armed Forces Commander Jusuf. [redacted]

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[redacted] Jusuf's honesty and concern for the lower ranks had gained him great popularity both within the armed forces and among Indonesia's masses. By dividing Jusuf's dual role between two individuals, new Defense-Security Minister General Poniman and Armed Forces Commander Murdani, Soeharto in our judgment achieves several goals. He prevents too great a concentration of power in the hands of a single individual; and he can open active military commands to younger officers while assuring that his retired loyalists retain power by assigning them to policymaking positions in the Defense Ministry. [redacted]

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General Murdani, who has risen through the intelligence bureaucracy rather than through the ranks of field commanders, has become even more powerful than he was as military intelligence chief. He remains the country's top military intelligence chief, and since the cabinet reshuffle he has been named to head Kopkamtib--the Security Command--in a major reorganization of the security apparatus. All told, in addition to his new army command, he now holds seven intelligence posts. Whether he will retain these after restructuring of the security apparatus is completed is not yet clear but it would be unprecedented if he did. In any case, Murdani is now in a position to place his own adherents in even more influential positions. While Murdani's Catholic religion effectively rules him out as a contender for the presidency, in our judgment, he could be a major influence in determining a successor to Soeharto. []

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Murdani had criticized Jusuf's military modernization program, claiming that Indonesia's armed forces needed better leadership and training rather than large-scale purchases of modern weapons. What the new military leadership will do about Jusuf's equipment acquisition program remains to be seen, but we would not rule out some cutbacks because of the financial squeeze Indonesia is experiencing. []

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Shifts in the Civilian Ministries

Outside the formal military hierarchy, the major development is the further rise of Minister of State and State Secretary Sudharmono as the undisputed strong man of the cabinet, and the apparent political demise of his chief rival former Minister of Information Ali Moertopo and his CSIS (Center for Strategic and International Studies) faction. Sudharmono's influence has grown steadily over the years, and personnel changes within the past several months, capped by the cabinet announcement, effectively remove his strongest adversaries. His preeminent role had been signaled in 1980 when Kepres 10 (Presidential Directive 10) gave him authority to approve all government purchases in excess of \$750,000, thus effectively granting him control over all major foreign and domestic investment contracts. He has used this authority to dispense and withhold financial favors. []

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[] Sudharmono was successful in placing proteges and colleagues in the new appointments. The reappointment of Justice Minister Ali Said and Attorney General Ismail Saleh strengthens his hand in the judiciary. Advancement of two other allies, former University of Indonesia rector Nugroho to Education Minister and Cabinet Secretary Moerdiono to Junior Minister, also increases Sudharmono's influence. Even though Soeharto is the final arbiter of all cabinet decisions and, in our judgment, Sudharmono's role is only advisory, the appointment of so many Sudharmono associates enhances his authority. []

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Along with Armed Forces Commander Murdani, Sudharmono is now one of the two most powerful figures in Indonesia aside from Soeharto. We believe Sudharmono is currently in the strongest position eventually to succeed Soeharto although we see no signs that Soeharto is grooming him as a successor. Despite his lack of an organized power base within the military, his prospects are helped by his credentials of being a Muslim Javanese general and a member of the revolutionary Generation of 1945. [redacted]

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Ali Moertopo and the CSIS Connection

The departure of longtime Soeharto loyalist Ali Moertopo from the Cabinet, along with two of his adherents, former Minister of Industry Soehoed and the [redacted] former Minister of Education Daed Joesoef, visibly distances the Soeharto regime from the influential CSIC. This think tank, founded by Ali Moertopo and dominated by Chinese Catholics, is strongly resented by groups as varied as the Muslim community, the technocrats, and many high-ranking military officers, for its influence on the Soeharto government. Many factors contributed to Moertopo's removal from the Cabinet, probably including his poor health as well as the many enemies he has made over the years because of his penchant for political machination and controversy. [redacted]

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Nonetheless, we believe Moertopo will still exercise some influence with Soeharto via access to the President. Moreover, CSIS offers the Soeharto government better access to foreign government officials and international academic circles than any other think tank currently operating in Jakarta. It also has a stronger group of disciplined intellectuals willing to provide Soeharto more sophisticated analyses of foreign and domestic political issues. [redacted]

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The Technocrats and Economics Ministries

The departure of Widjojo Nitisastro--Soeharto's chief economic adviser since the start of the "New Order" government in the mid-1960s--in our judgment does not mean a radical shift in economic policy. His like-minded colleagues, former Finance Minister Ali Wardhana and former Deputy Chairman Sumarlin, of the Development Planning Council have stepped into his two positions and other well-known technocrats associated with Widjojo have moved up. As a team, we believe the group should be able to work effectively together as in the past and with Sudharmono as well. Indeed, despite Widjojo's standing as the acknowledged intellectual leader of the technocrats, [redacted] his successors in our judgment are likely to turn in stronger performances. [redacted]

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Widjojo's departure may help to strengthen the rival faction headed by Minister of Research and Technology Habibie, who retained his position. Allied with Habibie is former Director General of the Chemical Industry Hartarto, who has moved up to the Ministry of Industry. He has been associated with the massive petrochemical projects planned for the next few years, and is likely to support Habibie's technology-oriented approach to economic development with less concern for fiscal constraints than the finance-oriented technocrats. Although some bureaucratic conflicts will be unavoidable, the financial strains we expect in the next few years probably will strengthen the overall policy role of the technocrats. Nonetheless, if they fail to avoid financial hardships, the technocrats will face strong criticism both from Habibie and his allies and from opposition groups favoring a more populist approach to development. []

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A third group of senior government officials, those connected with other major development projects, remains firmly entrenched within the bureaucracy, suggesting little chance for reform of the country's rigid, confusing, and discouraging foreign investment regulations. The establishment of a separate Ministry of Forestry and the appointment of former Director General Soejarwo as Minister increases the autonomy of the forestry industry within the bureaucracy -- a sector in which the army has a large financial stake. The Ministry of Communications is now smaller than before and is likely to be dominated even more than in the past by airline and shipping interests. The appointment of Sudharmono protege Ginandjar to the new position of Junior Minister for Domestic Product Promotion will help assure that government projects benefit local businesses. The economic interests of the Soeharto family are expected to be protected by the reappointment of Bustanil Arifin as Cooperative Affairs Minister, as well as the new appointments of Radius Prawiro and Soejarwo, both of whom are well known for their closeness to the First Family, particularly Madame Soeharto. []

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What the Changes Mean For...

...Internal Security- Maintenance of internal security remains a primary focus of the new cabinet. Deteriorating economic conditions have heightened Jakarta's apprehensions that civil disturbances could occur, particularly if the government has to implement more stringent austerity measures than those already in place. Appointment of a number of loyalists with hardline reputations reflect this concern. Admiral Sudomo -- former head of internal security -- is now Minister of Manpower responsible for controlling organized labor, which has been increasingly restless over the past year as a result of growing unemployment and a wage squeeze. He has dealt closely, and at times forcefully, with the Indonesian labor federation.

Similarly, General Nugroho Notosusanto -- former rector of the University of Indonesia credited with containing the student situation there -- is the new Minister of Education and Culture. He is expected to work closely with the military to maintain tight control over campus activity. The new Minister of Home Affairs, Soepardjo Rustam, is reputed to be a hardline anti-Communist who is likely to deal vigorously with internal dissent. []

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...Foreign Relations- Reappointment of Foreign Minister Mochtar suggests Jakarta will continue Soeharto's personal commitment to an officially nonaligned but quietly pro-West foreign policy. Although Jakarta's attitude toward Hanoi may continue to be more flexible than its ASEAN partners, nothing suggests that Indonesia will end its commitment to ASEAN solidarity on the Kampuchean issue. Soeharto's recent decision to defer once again resuming diplomatic relations with China reflects both his own attitude and the continuing hardline approach of the military on this issue. []

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We believe the cabinet and military changes foreshadow no major shift toward the United States, although Indonesia's financial strains probably will produce some increase in frictions with Washington during the next few years. Defense Minister Poniman is reportedly very friendly toward US officials. Retention of most of the US-trained technocrats, and promotion of Arifin Siregar to Governor of Bank of Indonesia probably will help the relationship with the United States. []

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Nonetheless, the strong nationalism of President Soeharto and key officials such as Sudharmono and Murdani could dampen Jakarta's enthusiasm for closer ties, particularly if financial strains lead to a perception that Washington is indifferent to Indonesia's needs. []

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Key Cabinet and Government Appointments

Coordinating Minister for Economics, Finance, & Industry	Prof. Dr. Ali Wardhana
Coordinating Minister for Political Affairs & Security	Gen. Surono Reksodimedjo
Coordinating Minister for Social Welfare	Alamsjah Ratu Prawiranegara
Minister of Agriculture	Achmad Affandi
Minister of Communications	Air Marshall Roesmin
Minister of Cooperatives	Maj. Gen. Bustanil Arifin
Minister of Defense & Security	Gen. Poniman
Minister of Education & Culture	Gen. Prof. Drs. Nugroho Notosusanto
Minister of Finance	Drs. Radius Prawiro
Minister of Foreign Affairs	Prof. Dr. Mochtar Kusumaatmadja
Minister of Home Affairs	Soepardjo Roestam
Minister of Industry	Hartarto
Minister of Information	Harmoko
Minister of Justice	Maj. Gen. Ali Said
Minister of Manpower	Adm. Sudomo
Minister of Religion	Munawir Syadzali
Minister of State for Research & Technology	Dr. B.J.Habibie

In addition, the following posts have been raised to ministerial rank:

Attorney General	Ismail Saleh
Commander, Armed Forces	Lt. Gen. L. Benny Murdani
Governor, Bank of Indosnesia	Arifin M. Siregar

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EA M 83-10059

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